

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

SEP 28 1979

BALLY MANUFACTURING CORPORATION,)

Plaintiff,)

v.)

D. GOTTLIEB & CO., WILLIAMS
ELECTRONICS, INC., and
ROCKWELL INTERNATIONAL
CORPORATION,)

Defendants.)

Civil Action No.
78 C 2246 ✓ FILED

SEP 26 1979

H. STUART C. J. ...
UNITED STATES DISTRICT COURT

and

BALLY MANUFACTURING CORPORATION,)

Plaintiff,)

v.)

GAME PLAN, INCORPORATED and
ASTRO GAMES, INC.,)

Defendants.)

Civil Action No.
79 C 713 ✓

MEMORANDUM OF PLAINTIFF IN OPPOSITION
TO DEFENDANT ROCKWELL INTERNATIONAL CORPORATION'S
MOTION TO DISMISS

This is a patent infringement action which was commenced by Bally Manufacturing Corporation ("Bally") on June 6, 1978, against two pinball manufacturers, D. Gottlieb & Co. ("Gottlieb") and Williams Electronics, Inc. ("Williams"). The patent is directed to solid-state microprocessor-controlled games such as pinball games having a certain type of multiplex control system.

On May 25, 1979, Rockwell International Corporation ("Rockwell"), the moving party here, was joined as a defendant. Rockwell provides solid-state electronic pinball

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control systems to Gottlieb and other manufacturers for their pinball machines. Consequently, Rockwell was charged with "contributing to and inducing the infringement of the patent in suit."

On June 6, 1979, Rockwell moved to dismiss the Amended and Supplemental Complaint as to Rockwell on the grounds (a) that the Rockwell system is a "standard item of manufacture which is 'suitable for substantial noninfringing use'," relying on certain affidavits outside the pleadings of this case, and (b) that such an action was "not intended to be available unless recovery against the direct infringers was impossible or impractical." Rockwell's motion also included improper venue as a basis for dismissal. However, Rockwell withdrew that basis for the motion in its memorandum in support of its motion.

The Court should deny Rockwell's motion to dismiss because:

1. The standard that should be applied to this motion is that of a motion for summary judgment under Rule 56 F.R.C.P. and since there are genuine issues of material fact, the Court must deny Rockwell's motion.
2. Since a central issue in the determination of Rockwell's liability for inducement of infringement is their intent to induce infringement this is not a proper subject for a motion for summary judgment.
3. There is sufficient evidence to support Bally's contention that there is a genuine issue of material fact as to whether Rockwell's transactions with Gottlieb constitute an inducement to infringe.
4. There is sufficient evidence to support Bally's contention that there is a genuine issue of material fact as to whether Rockwell has contributed to the infringement of the Bally Patent.

5. Both the manufacturer of infringing goods and the supplier of components of the infringing goods who induces or contributes to the infringement are joint tort-feasors, and as such are jointly and severably liable to the patent owner.

1. The standard that should be applied to this motion is that of Summary Judgment under Rule 56 F.R.C.P. and since there are genuine issues of material fact, the Court must deny Rockwell's motion.

Although Rockwell has brought this motion as a "Motion to Dismiss" under Rule 12 F.R.C.P., since the motion involves matters outside of the pleadings, according to Rule 12(c) "the motion shall be treated as one for summary judgment and disposed of as provided in Rule 56."

Considering the fact that Rockwell has submitted affidavits as evidence of factual matters, there can be no question that the motion does involve matters outside the pleadings.

Rule 56(c) F.R.C.P. provides that a summary judgment shall be entered:

"... if the pleadings, depositions, answers to interrogatories, and admissions on file together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." (emphasis supplied)

The portion of Rule 56(c) that is underscored above is manifestly the most important part of the rule -- indeed, the very heart of the rule. This means that, should plaintiff show that there is any "genuine issue as to any material fact", then the motion for summary judgment must be denied. Further it is well established that on a motion for summary judgment:

"All doubts as to whether there is a fact issue must be resolved against the moving party." Searle & Co. v. Chas. Pfizer & Co., 231 F. 2d 318 (7 cir. 1956) ^{G.D.} 316,

Considering these standards, it will be shown that there are indeed genuine issues as to a number of material facts and therefore the motion must be denied.

2. Since a central issue in the determination of Rockwell's liability for inducement of infringement is their intent to induce infringement this is not a proper subject for a motion for summary judgment.

Inducement of infringement is governed by 35 U.S.C.

§ 271(b) which provides:

"(b) Whoever actively induces infringement of a patent shall be liable as an infringer."

It is well recognized that active inducement under § 271 requires a showing of intent. Norberg Mfg. Co. v. Jackson Vibrator, Inc. 153 U.S.P.Q. 777 (N.D. Ill. 1967).

So far in this case, knowledge by Rockwell of the patent and of plaintiff's assertion of it against Rockwell's customer Gottlieb, for direct infringement has been established already in the deposition of John Footh, an employee of Rockwell, taken earlier this year.

It is also well recognized by the authorities, including the Court of Appeals of this Circuit which stated that "cases in which the underlying issue is one of motivation, intent, or some other subjective fact are particularly inappropriate for summary judgment." Conrad v. Delta Airlines, Inc., 494 F. 2d 914, 918 (7th Cir. 1974), 6 Moore's Federal Practice §56.17 (41-1).

Based on the foregoing rules, the issue of intent to induce infringement in the determination of Rockwell's liability is one which should be tried by the Court and therefore is not a proper subject for a motion for summary

judgment. Rockwell's motion should be denied on this ground alone.

3. There is sufficient evidence to support Bally's contention that there is a genuine issue of material fact as to whether Rockwell's transactions with Gottlieb constitute an inducement to infringe.

Rockwell contends that "The inducement provision of §271(b) cannot be invoked here where Rockwell is not a contributory infringer and where the bulk of activity occurred prior to patent issuance." Whether or not Rockwell is liable for contributory infringement [which infringement is under §271(c)] is totally irrelevant to a finding of liability under §271(b) for inducement. Further, regardless of what occurred prior to patent issuance, Rockwell's conduct after issuance is important and, as to that, there is a genuine issue of material fact as to whether such conduct is sufficient to constitute inducement. Rockwell, by stating that the "bulk" of activity occurred prior to issuance, admits that some occurred after.

The Section 271(b) prohibition on active inducement of infringement covers a wide variety of acts. Thus, as stated in Fromberg, Inc. v. Thornhill, 315 F. 2d 407, 411, 137 U.S.P.Q. 84, 87 (5th Cir. 1963),

"... the term is as broad as the range of actions by which one in fact causes, or urges, or encourages, or aids another to infringe a patent." See also Norberg Mfg. Co. v. Jackson Vibrators, Inc., 153 U.S.P.Q. 777. 785 (N.D. Ill. 1967).

As to Rockwell's actions after issuance of the patent in suit, John Footh, the employee of Rockwell, testified at his deposition that the Rockwell pinball control system which he designed was currently being

manufactured and sold by Rockwell to Gottlieb for use in the Gottlieb pinball machines. In 1979, he made a business trip to the Gottlieb facility where he saw Rockwell boards being installed into Gottlieb pinball machines, the directly infringing machines, and saw such machines being checked out in the production area. (Footh dep. pp. 117-124).*

Footh also testified that many changes were made to the Rockwell pinball control system within the last year, i.e., since the patent in suit issued on June 6, 1978, (Footh dep. pp. 168-192). This shows continuing activity by Rockwell with respect to inducing infringement of the patent. These changes included (1) changing the type of battery used on the control board (p. 171), (2) a number of part substitutions which were necessary to support the Gottlieb program from a quantity standpoint to keep the program going (p. 172), (3) changes in resistor values on the "power-up circuit" to improve the reliability of the circuit (pp. 172-173), (4) changes to a different diode and a closer tolerance to improve yields in the factory (pp. 177-178), and many others.

Other changes can be seen by examining documents R 1025 and R 1718 attached hereto as Exhibits B and C respectively. These documents were produced by Rockwell's counsel and are block diagrams drawn by Footh of the Rockwell pinball control system supplied to Gottlieb. Drawing R 1718, dated 8-29-78, which is after the date the

* Pertinent portions of the Footh deposition are attached hereto as Exhibit A.

patent in suit issued, is an updated version of drawing R 1025, which is dated 1-27-77 and which was drawn before the issue date. (Footh dep. pp. 143-144). The differences in the drawings are highlighted in yellow. These differences are changes in the Rockwell pinball control system made after the date the patent issued and include changing the outputs of the control system to allow a change in the number of lamp drivers, solenoid drivers, display digits, and switches in Gottlieb pinball machines involved in plaintiff's charge of direct infringement. (Footh dep. pp. 143-144).

Corroborating the testimony of Footh is the testimony of the executive vice president of Gottlieb, Alvin J. Gottlieb, who testified that within the last year he has seen at the Gottlieb factory meetings between Rockwell representatives and Gottlieb engineers. During one of these meetings discussions were had concerning quality control. He further testified that Rockwell people respond to inquiries from Gottlieb people, that various members of the Gottlieb engineering and production department maintain contacts with various people in the Rockwell organization at different levels, and that there has been discussion by Gottlieb people with Rockwell people within the last year about problems that have arisen. (Gottlieb dep. pp. 20-27, attached hereto as Exhibit D).

It is noted that although Rockwell did allow testimony by Footh about changes in the Rockwell pinball control system, Rockwell's counsel instructed Footh not to answer any question directed to the "business relationship"

between Rockwell and Gottlieb between the time plaintiff's patent issued until the time Rockwell was joined as a defendant. Rockwell has also refused to yield documents on this subject matter even though they fall under specific Bally document requests.

The evidence indicates that not only did Rockwell design the control system for Gottlieb, and are presently selling control systems to Gottlieb for installation in their pinball machines (Footh dep. pp. 117-124), but that there was an intentional and continuous effort by Rockwell, which continued until after the date the Bally patent issued, to "aid and encourage" the manufacturing and sales by Gottlieb of the allegedly infringing pinball machine, and that these actions constitute inducement under Section 271(b).

As noted above, Rockwell has improperly impeded Bally's discovery efforts by refusing to allow testimony or documents relating to the reasons behind design changes to the control system and to the "business relations" between Rockwell and Gottlieb since the time the Bally patent issued. (Footh dep. pp. 47-51, 99-108, 119-129, 151-154). Since these are obviously critical areas of inquiry, Rockwell should not obtain any benefits from their improper blocking tactics and their motion should be denied to allow further discovery on these critical topics.

4. There is sufficient evidence to support Bally's contention that there is a genuine issue of material fact as to whether Rockwell has contributed to the infringement of the Bally Patent as well as having induced infringement of the patent

Section 271(c) covers the usual situation in which contributory infringement arises, i.e., the sale of a component especially designed for use in a patented combination or process, "constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use ..."

- A. There is sufficient evidence to support Bally's contention that there is a genuine issue of material fact as to whether or not the pinball control system which is sold by Rockwell to Gottlieb for use in their solid-state pinball machines is "a staple article or commodity of commerce suitable for substantial non-infringing use".

It is well established that the status of a component as a staple article or commodity of commerce suitable for substantial noninfringing use is essentially a question of fact. Shumaker v. Gem Mfg. Co., 311 F. 2d 273, 136 U.S.P.Q. 20 (7 Cir. 1962), Illinois Tool Works, Inc. v. Foster Grant Co., 181 U.S.P.Q. 553 (N.D. Ill. 1974).

Recognizing this, Rockwell has submitted a number of affidavits to support its contention that the control system which it supplied to Gottlieb has substantial noninfringing uses. However, from the testimony of defendant Rockwell's own employee, John Footh, it can be seen that the Rockwell pinball control system as sold for use in Gottlieb pinball machines contains particular Rockwell parts which make them usable only in pinball machines and not in general purpose industrial controllers as contended by Rockwell.

More specifically, as sold and delivered by Rockwell to Gottlieb, each pinball control system contains

Rockwell parts A-1752 and A-1753, each with a program code permanently burned into it (Footh dep. pp. 191-192). This is done during the manufacturing process by Rockwell and makes the parts "fixed" like any other electronic component. Although Rockwell states in its memorandum that these parts can be altered to change the program contained within them, as can be seen from Footh's testimony, this is not the case; the program is permanent. These parts contain a general control program which as Footh testified controls a pinball machine so it "does everything that we have conceived a game should do" (Footh dep. p. 183). Further, Footh testified that these parts are not standard and "the codes in them make them a unique part number -- only usable in this application" to control a pinball machine (Footh dep. p. 188). In fact, the industrial controllers offered by Rockwell do not contain these parts (Footh dep. p. 211).

It is noted that these special pinball game parts, A-1752 and A-1753, should not be confused with the program PROM which contains the "game control memory" (Footh dep. pp. 184-185) which is inserted by Gottlieb and is merely used to adapt the Rockwell pinball control system to different models of pinball machines. These two devices are confused and not separately distinguished in Rockwell's memorandum in support of its motion.

Considering these facts and the testimony of Rockwell's own employee, it is apparent that the Rockwell pinball control system is not a staple article of commerce suitable for substantial non-infringing uses, but is only capable of use in the Gottlieb pinball machines which are

the subject of the direct infringement charges in this action.

- B. Whether the Rockwell pinball control system which is sold by Rockwell to Gottlieb for use in their solid-state pinball machines is a component of "a patented machine ... constituting a material part of the invention" is a genuine issue of material fact.
-

Rockwell tries to cloud the issue of "substantial noninfringing use" by contending that the only difference between the Rockwell pinball control system and the STC controller is the program in the microprocessor which Rockwell asserts cannot be the basis for the patent in suit and cannot be a material part of the patented invention. Rockwell does not and could not cite any case law or statute to substantiate its position which, moreover, is irrelevant to the issues raised by their motion to dismiss. In fact, in Aro Mfg. Co. v. Convertible Top Replacement Co., 365 U.S. 336, 128 U.S.P.Q. 354 (1961), the Supreme Court emphasized that "there is no legally recognizable or protected 'essential' element, 'gist' or 'heart' of the invention in a combination patent."

It should be pointed out that Rockwell does not merely supply individual off-the-shelf or general purpose electronic components for the accused pinball games manufactured by Gottlieb. But instead, it actually supplies the entire electronic system in the form of completed printed circuit boards which merely require that Gottlieb cable the various printed circuit boards together and plug in an appropriate PROM device to define the specific rules of the particular model of pinball machine. That entire

system, as testified to by Footh and noted above, is usable only in a pinball game. The Rockwell pinball control system operates in combination with other parts of the Gottlieb pinball machine in a specific way such that the combination constitutes an infringement of the patent in suit. Thus, the Rockwell control system clearly is a "material part of the invention" as contemplated in §271(c) of the Patent Statute.

5. Both the manufacturer of infringing goods and the supplier of components of the infringing goods who induces or contributes to the infringement are joint tort-feasors, and as such are jointly and severably liable to the patent owner.

Rockwell contends that since the manufacturer of the infringing product is being sued, then the supplier of component parts to that manufacturer cannot also be sued. Plaintiff strenuously urges that Rockwell's statement of the law is totally incorrect. It is well recognized that a contributory infringer is a species of joint tort-feasor. As the United States Supreme Court held in Aro Manufacturing Co., Inc., et al v. Convertible Top Replacement Co., Inc., 377 U.S. 476, 500, 845 Ct. 1526, 12 L. Ed. 2d 457, 141 U.S.P.Q. 681 (1964) cited by Rockwell, "... a contributory infringer is a species of joint tort-feasor, who is held liable because he has contributed with another to cause a single harm to plaintiff." Rockwell's citing of this Aro case to support its position is totally unfounded. Moreover, Rockwell did not cite any other case law in support of its contention because apparently there is none. The quotes which Rockwell has taken from the Court's opinion are incomplete, and, when taken in context, do not in any

way support Rockwell's contentions.

For example, Justice Black's opinion on pages 523-524, only a portion of which was quoted by Rockwell on pages 3 and 4 of its brief and which is a dissenting opinion, contains the following language in addition to the portion quoted by Rockwell, "I can think of nothing much more unfair than to visit the infringement sins of a large manufacturer upon the thousands of ultimate purchasers who buy or use its goods". What Justice Black said is that suits against people who purchase allegedly infringing products from manufacturers, where there are a large number of small purchasers, in his opinion would be improper. That is not the case here where Rockwell is a single supplier, rather than a purchaser, of a large quantity of pinball control systems to Gottlieb, Brunswick, and perhaps other pinball machine manufacturers.

Rockwell's quote of Justice Brennan on pages 511-512 is also incomplete, quoted out of context, and when viewed in its entirety in no way supports their proposition. In particular, Rockwell fails to include the following portion of the text, "--so as to enforce the patent a second time and obtain a reward that it could not extract from a direct infringer alone. Whatever the result might have been under the old 'damages and profits' provision, no such perversion of the Congressional purpose is possible within the rule allowing recovery of 'damages' only." Again, when taken in context, this quote merely means that, under the law at that time where a patentee could not recover profits as an element of damages, it would

be improper for the patentee to enforce the patent a second time to obtain a reward that it could not extract from a direct infringer alone.

There is also another compelling reason why it would be totally improper to dismiss Rockwell from this lawsuit. Plaintiff, in Subparagraph 16 of the Supplemental Complaint, asks the Court to enjoin Rockwell from supplying and selling pinball control systems constituting a material part of the invention to any and all potential pinball manufacturers who produce and sell pinball machines which infringe Bally's patent. If Rockwell were dismissed, Rockwell would be free to sell such pinball machine control systems to other companies requiring a separate suit against each to enforce plaintiff's rights.

In fact, Rockwell has in the past and is presently selling pinball machine control systems to other manufacturers who are building solid state pinball machines which plaintiff believes infringes its patent. Specifically, in an article in the April 5th 1978 edition of EDN magazine entitled "Simplify Volume Production Design With Single-chip Microcomputers" which is a document produced by Gottlieb to plaintiff in the pre-trial discovery in this case, and authored by Bruce W. Kinney who is identified as an employee of Rockwell, it states that Rockwell is providing a control circuit to Brunswick Corporation for use in a solid state pinball machine. The article is attached hereto as Exhibit E.

Further, John Footh when asked whether there were other pinball projects at Rockwell replied "the Brunswick

thing" (Footh dep. p. 39). When asked questions about "the Brunswick thing", Mr. Footh was instructed by his attorney not to answer any questions concerning the work by Rockwell for Brunswick or any other pinball machine manufacturer (Footh dep. pp. 38-42).

It is totally inconsistent for Rockwell on the one hand to bring this motion trying to prevent plaintiff from having its day in Court, while on the other hand withholding discovery of evidence which goes to the very essence of the matter. It would be improper for the Court to dismiss Rockwell from this suit based on the present record and the fact that discovery still remains to be taken to fully establish Rockwell's conduct in respect to inducing or contributing to infringement of the patent in suit.

Conclusion

It has been shown that the standard that should be applied to this motion is that of a motion for summary judgment under Rule 56 F.R.C.P., and that not only is the subject matter of the motion improper for summary judgment because a central issue is Rockwell's intent to induce, but also there are many genuine issues of material facts going to Rockwell's inducement and contributory infringement of the patent in suit. Therefore, the motion should be denied.

Respectfully submitted,

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September 26, 1979

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MITTED TO CALIFORNIA BAR ONLY
MITTED TO TEXAS BAR ONLY

Honorable John F. Grady
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Re: Bally v. D. Gottlieb & Co., et al. 78 C 2246 and
Bally v. Game Plan, Incorporated, et al. 79 C 713

Dear Judge Grady:

Our office filed a "Motion for the Court to Accept Under Seal Plaintiff's Memorandum in Opposition to Defendant Rockwell International Corporation's Motion to Dismiss" in the above-referenced case which included a request for the Court to accept the memorandum instant, and to extend the time for Rockwell to file its reply memorandum to October 3, 1979. This was done because Plaintiff's Memorandum contained materials covered under an attorney eyes only agreement between counsel. This motion was filed at the suggestion of the Court's secretary.

Subsequent to our filing the motion, John Lynch, counsel for Rockwell and Gottlieb informed us that he would release all materials contained in Plaintiff's Memorandum from the attorney eyes only agreement. We have therefore withdrawn that portion of our motion requesting the Court to accept our memorandum under seal, and we are filing our memorandum herewith.

Respectfully,

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CERTIFICATE OF SERVICE

This will certify that copies of the foregoing
MEMORANDUM OF PLAINTIFF IN OPPOSITION TO DEFENDANT ROCKWELL
INTERNATIONAL CORPORATION'S MOTION TO DISMISS and a letter to
Judge Grady dated September 26, 1979, have been served on
defendants by hand delivering a copy to:

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postage prepaid, this 26th day of September, 1979.

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